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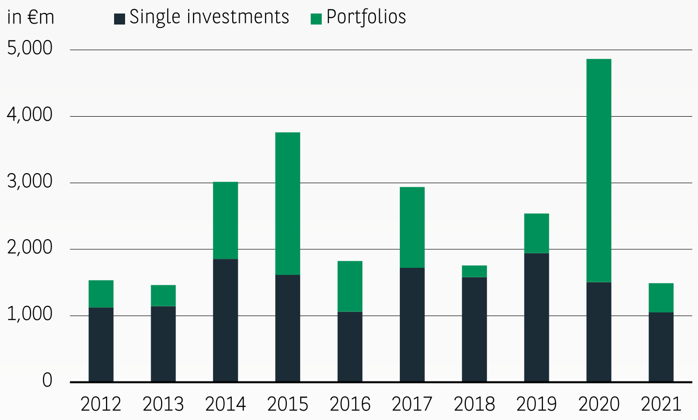
RESEARCH

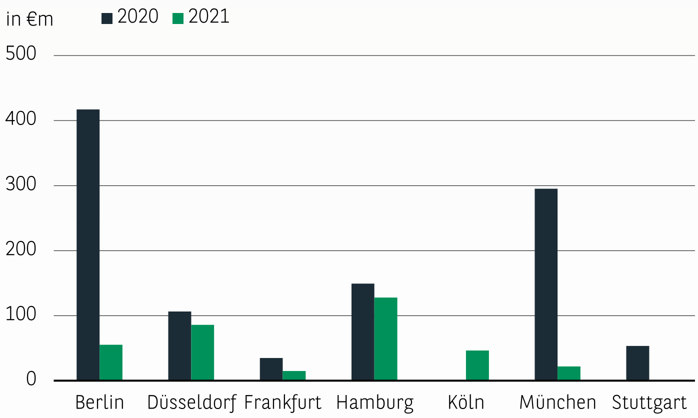
At a Glance Q1 2021

RETAIL INVESTMENT MARKET GERMANY

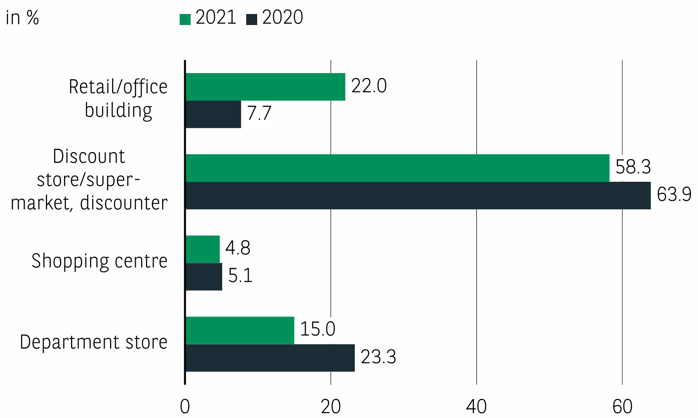
Retail investments in Germany Q1



Retail investments in the A-locations Q1



Retail investments by type of property Q1



MODEST START TO THE YEAR DURING LOCKDOWN

The ongoing lockdown and the continuing uncertainties regarding the restriction measures for stationary retail have had a significant impact on retail investment activity in the first three months: with a transaction volume of just under €1.5 billion, the overall result is a good 69% below the result from the comparable period of the previous year and almost 41% below the long-term average. The fact that the €2 billion mark was missed five times in the first quarter of the last ten years cannot conceal the current low volume, but it does help to put the result into perspective. The decisive difference compared with the previous year is in the portfolio segment: Whereas package sales in 2020 contributed a considerable €3.3 billion and a share of 69% to the overall result, in particular through M&A activities, the figure for 2021 was only €439 million respectively a share of 29%. There was a corresponding increase in the share of single deals (71% market share), which contributed a good €1 billion so far, although this is also almost 28% below the long-term average.

A-CITIES: ONLY A THIRD OF THE PREVIOUS YEAR'S TURNOVER

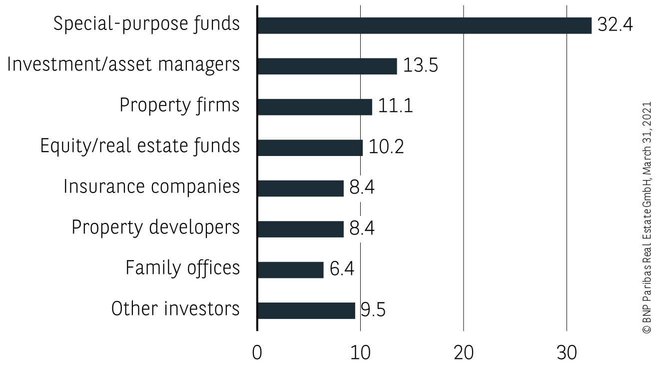
The subdued start to the year is partly due to the very low transaction volume in A-locations (€353 million), which was around three times higher in the previous year. It is therefore unsurprising that, with the exception of Cologne, where no major retail investments were registered in Q1 2020, all the top markets suffered a drop in sales, in some cases quite substantial. This has also had an impact on the positions in the city rankings, which Hamburg leads with €128 million in the interim results. Over €50 million was invested in Düsseldorf (€86 million) and Berlin (€55 million), while in Cologne (€47 million), Munich (€22 million) and Frankfurt (€15 million) only a few smaller retail properties have changed hands.

FOCUS REMAINS ON SPECIALIST STORES

Even though the specialist store segment (including discounter and super markets) was unable to match the exceptionally high record result achieved in the previous year, which was boosted by acquisitions, it is still at the top of investors' lists in the retail segment with transaction volumes of €868 million (58% market share). However, highstreet properties were also in demand and accounted for 22% of the investment volume. They were sold in particular in the segment up to €25 million in both A-cities and smaller cities. In addition, department stores generated 15% and shopping centers 5% of the volume.

Retail investments by buyer group Q1 2019

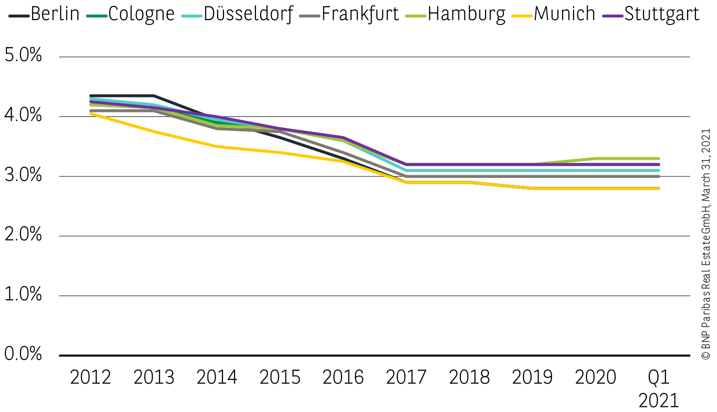
in %



SPECIAL-PURPOSE FUNDS AGAIN AT THE TOP OF THE TABLE

The distribution of investment volume among the various buyer groups was clearly dominated by special-purpose funds in the first quarter, which accounted for a good 32% of the overall result. They increased their transaction volume by 22% year-on-year to €483 million. The investment focus in this context was particularly on specialist store properties, with a clear focus on the food sector. Investment/asset managers follow at a clear distance in second place, accounting for just under 14%. Equity/Real Estate Funds also achieve a double-digit share of sales, accounting for a further good 10%. Larger volumes were invested by insurance companies (around 8%), property developers (a good 8%) and family offices (around 6%). The share of international buyers (just under 28%) is slightly below average compared with the overall commercial German real estate market.

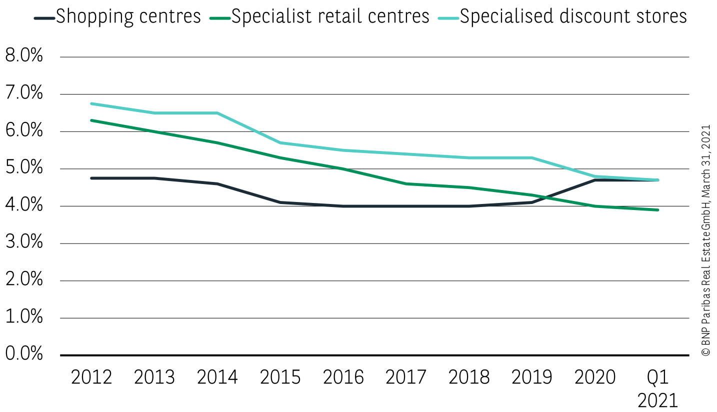
Retail high street net prime yields in the A-locations



PRIME YIELDS CONTINUE TO DECLINE FOR SPECIALIST STORES

In terms of the various A-locations, the few sales of core properties in the high-street segment, which were completed in the first quarter, generated yields largely comparable to those at the end of 2020. Against this backdrop, the top yields for highstreet properties in the absolute prime locations continue to be the same in Berlin and Munich (2.80% each), ahead of Hamburg (3.00%), Frankfurt (3.10%), Düsseldorf (3.20%), Stuttgart (3.20%) and Cologne (3.30%). When differentiated by property type, contrasting trends emerge: In the case of well-functioning retail parks with good transport links (3.90%) and individual specialist stores (4.70%), prime yields fell by 10 basis points in each case in the first quarter. This implies that retail parks are currently more expensive than shopping centers, which are trading at 4.70%.

Net prime yields by type of property



OUTLOOK

The ongoing lockdown, missing scenarios for a successful reopening of the German high streets and still high COVID-19 incidence rates outline just some of the challenging conditions facing the retail market in the first quarter. In this context, it is unsurprising that the market conditions for retail investments outside the specialist store and food segments remain difficult. In addition, there have been no takeovers or large portfolio deals so far this year, which are essential for high volumes in the retail investment segment. However, many smaller transactions, including high street properties, give rise to hope that larger investments could be reported in the further course of the year, provided that the development of the Corona crisis and the supply allow this to happen. A glimmer of hope is also provided by the HDE consumer barometer, which rose for the second month in succession in April as a result of consumers' increasing propensity to spend money.

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